Nabtesco Corporation

Summary of Consolidated Financial Statements for the Year ended March 31, 2006 (full year)

May 10, 2006

Name of Listed Company: Nabtesco Corporation
Stock listed on: the First Section of the Tokyo Stock Exchange
Code Number: 6268
(URL http://www.nabtesco.com/)
Location (prefecture) of Head Office: Tokyo, Japan
Representative Name: Kazuyuki Matsumoto
Title: President & CEO
Inquiries: Name: Hiroshi Sawa Tel. (03) 3578-7070
Title: Director and General Manager, General Administration Dept.

Date of Board of Directors Meeting for Account Settlement: May 10, 2006
Has the Company adopted U.S. Accounting Standards: No

1. Consolidated Operating Results for FY2005 (From April 1, 2005 to March 31, 2006)

(1) Consolidated Operating Results

Note: Amounts less than one million yen have been rounded down.

	Net sales		Operating income		Ordinary income	
	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2006	147,427	6.9	14,828	31.4	14,481	28.1
Fiscal year ended March 31, 2005	137,960	9.9	11,287	35.3	11,306	33.4

	Net income		Net income per share	Diluted net income per share	Return on shareholders' equity	Ratio of ordinary income to total assets	Ratio of ordinary income to net sales
	Million yen	%	Yen	Yen	%	%	%
Fiscal year ended March 31, 2006	8,211	46.0	64.05	63.95	14.1	10.3	9.8
Fiscal year ended March 31, 2005	5,625	32.9	43.66	43.66	11.2	8.6	8.2

(Notes) a) Investment profit/loss on equity method:
Fiscal year ended March 31, 2006 (100) million yen Fiscal year ended March 31, 2005 230 million yen
b) Average number of outstanding shares during the fiscal year (consolidated)
Fiscal year ended March 31, 2006 126,868,022 shares Fiscal year ended March 31, 2005 127,011,940 shares
c) Change in accounting methods: No
d) Percentages shown for net sales, operating income, ordinary income and net income represent the increase or decrease compared with the previous fiscal year.

(2) Consolidated Financial Position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Million yen	Million yen	%	Yen
Fiscal year ended March 31, 2006	146,894	64,189	43.7	505.58
Fiscal year ended March 31, 2005	133,602	52,471	39.3	412.72

(Note) Shares outstanding at fiscal year-end (consolidated):
Fiscal year ended March 31, 2006 126,792,599 shares Fiscal year ended March 31, 2005 126,943,445 shares

(3) Consolidated Cash Flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at fiscal year-end
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended March 31, 2006	16,405	(4,896)	(7,273)	18,496
Fiscal year ended March 31, 2005	11,102	(4,569)	(7,808)	14,035

(4) Scope of consolidation and application of equity method
Consolidated subsidiaries: 33 companies
Non-consolidated subsidiaries accounted for by the equity method: None
Affiliates accounted for by the equity method: 9 companies

(5) Change in scope of consolidation and application of equity method
Newly consolidated companies: 3 (excluded): 3
Equity method (new): 1 (excluded): 1

2. Forecast of consolidated operating results for FY2006 (From April 1, 2006 to March 31, 2007)

	Net sales	Ordinary income	Net income
	Million yen	Million yen	Million yen
Interim	75,000	7,100	4,200
Fiscal year	152,000	15,000	8,700

Reference: Estimated consolidated net income per share for the fiscal year: 68.62 yen

Notice regarding the application of consolidated forecast:
The information stated above is based on various assumptions. This summary does not constitute an assurance or guarantee that the company will achieve its numerical targets or necessarily implement the strategies outlined.

2. Management Policy

1. Principle Policies of Management

The Nabtesco Group established the Corporate Philosophy last May, and under this corporate philosophy, has set up the Long-term Vision and developed its introductory implementation program, “Mid-term Business Plan” which covers the period from fiscal 2005 to fiscal 2007.

[Corporate Philosophy]

The Nabtesco Group with our unique motion control technology will provide safety, comfort and a sense of security in daily lives as well as any form of transportation.

[Long-term Vision]

Global company group growing with society
-Challenge, Creation and Progress to higher stage-

<Management targets at the end of the next ten years>

Net sales:	¥220,000 million
Operating income to sales:	15%
Return on equity (ROE):	15% or more

[Medium-term Management Strategy]

1) Creation of new product and new business

We will address as an important issue the creation of new products and new business based on our strengthened and evolved motion control technologies, and will concentrate on the launch of products and businesses, which will be a source of profit 10 years later.

2) Strengthening of profitability of the existing business

We will actively invest in businesses with high profitability and high growth-potential, and will work on the strengthening of superiority, and the overcoming of weakness, of each business.

3) Aggressive penetration into overseas markets

We will make aggressive penetration into overseas market. Specifically, we will focus on business development in Chinese and European markets positioning China as a promising market where long-term growth can be expected and Europe as an important market for our products.

4) CSR-conscious management

We will carry out stakeholder (e.g., shareholders, business partners, employees, and society) conscious management. We will also respect and comply with local laws, regulations, cultures, etc., and will conduct business with high ethical standards. Further, we will focus on environmental concerns.

5) Reforming organizational climate

We will establish a system to promote “group-wide optimum” through efficient and effective personnel allocation. We will also prioritize the foster of technology personnel and overseas staff from a long-term perspective.

2. Basic Policy on Return of Profit to Shareholders

The Company intends to maintain the basic policy of a stable and sustainable dividend payout to shareholders according to the level of the Group’s overall income, balancing with the accumulation of internal reserve for increasing future corporate value.
The internal reserve will be invested in strategic investments leading to the growth of the Group and in the execution of a flexible capitalization program.
Year-end dividend payment is planned to be increased by ¥3.50 from previous year to ¥7 per share.
Accordingly, the annual dividend is increased by ¥5 from previous year to ¥12.
We will maintain the schedule for dividends as before with the record date at the end of the interim period and at the end of the period, even after the new company act is enforced.

3. Policy on the Lowering of the Trade Unit

The Company recognizes the improvement of liquidity of shares and an increase in number of shareholders as important issues in our policy on capitalization.
Reduction of trade unit will continue to be an important issue, with consideration towards stock price and liquidity.

4. Medium-term Management Plan Target (Consolidated)

The Company has set up the Medium-term Management Targets for the period from fiscal 2005 to fiscal 2007 as follows:

1) Growth with profits

Net sales for fiscal 2007: ¥155,000 million
Net income for fiscal 2007: ¥9,500 million

2) Improvement of efficiency

Return on asset (ROA) as of Mar. 31, 2008: 8%
Return on equity (ROE) as of Mar. 31, 2008: 15%

3) Strengthening of financial position

Accumulated free cash flow in 3 years: ¥25,000 million

5. Mid/Long-term Management Strategy

Towards the achievement of the Mid-term Business Plan, the Company considers 1) Overseas strategy, 2) Technology strategy, 3) Manufacturing strategy and 4) Human resource strategy as the Group’s major strategies. The Company will strive to plan and execute necessary measures, and to establish and implement systems and schemes as follows.

1) Overseas strategy

As most of the domestic market of our existing business is already saturated, we will promote development and expansion of overseas market. Specifically, China and Europe are considered to be strategically important areas and the Company will conduct aggressive business activities in those regions, including penetrating into and expanding of markets, and establishment of procurement and production bases.

2) Technology strategy

We will establish a system enabling the sharing of technical needs and seeds of all Group companies in order to strengthen and evolve the Group's motion control technology, and will also enhance the core technology to create new business and products.

3) Manufacturing strategy

We will further strive to promote further improvement in manufacturing efficiency through reinforcing group-wide federated manufacturing functions and setting up a scheme to foster and establish employees to promote improvement.

4) Human resource strategy

We will endeavor to develop each employee's capacity through human resource development corresponding to needs and motivation for improvement of one's career, promote overall improvement of employees' capability, and strive to develop globally competent employees.

6. Issues Requiring Responses from the Company

[Business deployment]

The most important current assignment is to make all efforts in accomplishing the Mid-term Management Strategy.
In recognition of the maturation of existing businesses, we will take advantage of and reorganize our group resources for the fosterage of new business and the development of new products, in order to shift our business portfolio to the areas with high growth potential.
On the other hand, we will also actively focus on strengthening price competitiveness and developing new market because keeping and enhancing competitive edge of existing businesses is essential for stable profitability.

[Improvement in financial position]

We will improve profitability of each business, and at the same time, endeavor to pursue the contraction and effective utilization of capital use by promoting reduction of inventories and enhancing efficiency of funds operation through a centralized control system (cash-pool system) of the Group's funds.

7. Matters relating to the Parent Company

The Company has no parent company.

3. Consolidate Operating Results and Financial Position

1. Consolidated Operating Results

(1) Summery of operating results FY2005

[Overview]

The Japanese economy in FY 2005 stably continued a gradual recovery trend, supported by expansion of private capital investment and consumer spending with positive earnings of companies, despite unstable factors such as higher oil prices.
The business environment surrounding the Nabtesco Group remained robust, helped by capital spending of the automobile industry and booming construction machinery.
In such environment, our group developed the mid-term business plan, and we have made a good start in FY 2005, the first year of the business plan.
Concerning “creating new products and business” and “active entry into overseas market”, the company showed successful results such as beginning export of drive unit for wind turbines, delivery of brake system for high speed railway trains on the existing track in China, order receipt for high voltage electric power unit for aircrafts from U.S., and sales expansion of platform screen doors in Asian region.
For better productivity, we started expanding the Tsu plant (Mie Prefecture) in expectation of demand increase of precision reducer for industry robots, and also actively invested capital in each plant.

As a result, our consolidated sales increased by 6.9% from the previous year to ¥147.4 billion, consolidated ordinary profit increased by 28.1% to ¥14.4 billion, and consolidated net profit increased by 46.0% to ¥8.2 billion. ROA and ROE were 5.9% and 14.1%, respectively.

Cash flow from operating activity was plus ¥16.4 billion and cash flow from investing activities was minus ¥4.8 billion, due to capital spending of ¥5.3 billion. Consequently, free cash flow was positive ¥11.5 billion.
On the other hand, cash flow from financing activities was minus ¥7.2 billion due to repayment of debt and dividend payment, and the balance of cash and cash equivalent at the end of the period was ¥18.4 billion. The balance of debt was ¥19.1 billion.

Operating results by business segment are as follows:

<Precision equipment business>

Net sales and operating income in precision equipment business were increased by 4.9% and 13.2% from the previous period to ¥34.2 billion and ¥5.7 billion, respectively. Profit increased, helped by brisk sales of precision reducer for industry robots and for machine tools with active capital spending in automobile manufacturers both in domestic and overseas, as well as by recovery of those for semiconductor manufacturing equipment.

<Transport equipment business>

Net sales and operating income in transport equipment business were increased by 4.8% and 61.9% from previous period to ¥37.5 billion and ¥3.5 billion, respectively.
For railway vehicles products, although the production of new products for the Shinkansen (domestic bullet train) remained at low levels due to the trains entering a development period, new vehicles for conventional railway line and repair parts were brisk. Brake systems for high-speed trains on existing track in China rose.
In the automobile-related business, sales remained flat with an increase in air brake system for commercial vehicles helped by brisk domestic demand, and a decrease in seat occupancy sensor

for passenger automobiles due to specification change of manufacturer.
In marine propulsion control systems, increased number of newly built ships both in domestic and overseas contributed in sales.

<Aircraft and oil hydraulic equipment business>

The sales and operating income in aircraft and oil hydraulic equipment business increased by 15.5% and 186.8% from the previous period to ¥39.5 billion and ¥2.2 billion, respectively.
The outlook is positive as a sales of aircraft equipment are increasing, supported by the recovery trend in the civil aviation sector. Obtaining large amount of orders for racks and panels (high voltage electric power unit) for the Boeing 787 was also achieved.
In oil hydraulic equipments, sales of traveling units and valves increased, backed by expanding global demand of hydraulic shovels and mini excavators.

<Industrial equipment business>

Sales and operating income in industrial equipment business were increased by 2.4% and 1.8% from the previous year to ¥36 billion and ¥3.2 billion, respectively.
In automatic doors related business, the demand remained flat due to difficult situation in the market despite slight recovery trend of investment in construction. The mainstay automatic doors for general purpose edged up with increased market share, and platform screen doors for China and South Korea rose.
In industrial machinery related business, machine tools fared well, supported by active capital spending in the automobile industry, but the sales declined with decreased overseas demand mainly from South Korea for automatic food packaging machines.

(2) Forecast for fiscal 2006

The Japanese economy is expected to expand at a healthy pace, with brisk domestic economic condition and roaring Chinese market anticipating the Beijing Olympics. However, there are some indications of possible adverse effects on the economy such as oil and material prices anticipated to continue at a high level, as well as uncertainties in foreign exchange rate or the upward trend in interest rate.
For business environment of our group, capital spending in automobile manufacturers who are the main users of industrial robots is now moving into adjustment period, and the speeding-up of conventional railway lines in China is now well underway. In addition, the civil aviation sector is rapidly recovering and construction machinery both in domestic and overseas market are expected to be brisk.
In these surroundings, our group plans, in the second year of mid-term business plan, to actively develop market both in domestic and overseas and create new products, in order to achieve goals set in the business plan. Also, we will make efforts on cost reduction through building the best production system and improving productivity.

The business overview outlooks by segments are as follows:

<Precision equipment business>

Expected sales and operating income in precision equipment business are ¥30.4 billion and ¥4.9 billion, respectively.
Both sales and income are anticipated to drop, due to decreased demand of precision reducer with capital spending of automobile manufacturers who are main user of industrial robots entering a trough phase, and divestiture of subsidiary.

<Transport equipment business>

Expected sales and operating income in transport equipment business are ¥40.2 billion and ¥3.4 billion, respectively.
Income is anticipated to grow, helped by sales for the project to increase train speeds on existing tracks in China, as well as brisk domestic replacement demands.
Sales of equipment for commercial vehicles and marine propulsion control systems are expected to be flat.

<Aircraft and oil hydraulic equipment business>

Expected sales and operating income in aircraft and oil hydraulic equipment business are ¥45.3 billion and ¥2.5 billion, respectively.
Income is anticipated to increase in aircraft, buoyed by rapid recovery of the civil aviation sector.
Income is anticipated rise in oil hydraulic equipment, with brisk construction machinery both in domestic and overseas market, as well as increased order of drive unit for wind turbines is expected both for domestic and overseas market.

<Industrial equipment business>

Expected sales and operating income in industrial equipment business are ¥36.1 billion and ¥3.7 billion, respectively.
Sales of automatic door related products will increase with expanded share and food packaging machines are also anticipated to recover, but the total sales will remain flat and income will edge up due to divestiture and change in business structure.

2. Financial Position

[Consolidated Financial Position FY2005]

Total assets increased by ¥13.2 billion to ¥146.8 billion, due to ¥4.4 billion increase in funds on hand, ¥2.2 billion increase in inventory, and market value increase in investment securities, etc.

[Consolidated Cash flows FY2005]

Cash flows from operating activities, investment activities and financing activities were plus ¥16.4 billion, minus ¥4.8 billion, and minus ¥7.2 billion, respectively.

[Forecast for Consolidated Financial Position at end of FY2006]

Total assets are expected to be ¥144.6 billion, due to repayment for debts with cash on hand, etc, and liabilities with interest are expected to decrease by ¥2 billion to ¥17 billion.
Shareholders' equity is projected to increase by ¥6.7 billion to ¥70.9 billion and this will make the equity ratio 49.0%.

[Consolidated Cash Flows for fiscal 2006]

Cash flows from operating activities, investment activities and financing activities are expected to be plus ¥10.8 billion, minus ¥11.9 billion and minus ¥3.6 billion, respectively. The cash flow from financing activities includes effects from repayment for debts.

3. Risk Factors relating to Nabtesco Group and its Business

(1) Unexpected change in the financial position and operating results

Overseas sales in our group account for 24.0% in this period, and although the exchange risk of overseas sales in domestic business is hedged through forward markets, our group performance is affected by the exchange rate. Performances in overseas subsidiaries are also influenced by the exchange rate when their figures are translated into Japanese yen.

(2) Risks in product quality

Our group manufactures each product in accordance with the carefully planned quality control standards to detect any defects in products. However, there is no guarantee that all products are free from any defect, any recall, or are free from issues of product liability in the future. Product defects leading to a recall or products liability may cause a large amount of cost and negatively affect the Group's financial position and performances.

(3) Important lawsuits

Nabtesco group has a risk to be filed a lawsuit or to be subject to a legal proceeding in Japan and abroad. To correspond to a legal risk, the Company established the system in which the Legal Department and the Intellectual Property Department manage legal risks and report to the Board of Directors or the Board of Auditors if necessary. There was no lawsuit that might have substantially affected the Group's businesses ion fiscal 2005. If such a lawsuit is filed in the future, it may materially affect the Group's operating results and financial position.

(4) Intellectual properties

Our group utilizes intellectual property rights and licenses we hold or we acquired for operation of business activities. Upon expiration of those rights or licenses, competitors might enter the market, which may bring adverse effects on our performance.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen: amounts less than one million yen are omitted)

	FY2005 (As of Mar.31, 2006)	FY2004 (As of Mar.31, 2005)	Increase (Decrease)
<Assets>			
Current assets			
Cash and time deposits	18,840	14,353	4,487
Trade notes and accounts receivable	43,340	43,025	315
Inventories	16,363	14,158	2,204
Deferred income taxes	3,507	2,526	981
Other current assets	721	1,482	(760)
Allowance for doubtful receivables	(272)	(384)	112
Total	**82,501**	**75,161**	**7,339**
Fixed assets	**64,393**	**58,440**	**(5,952)**
(1) Property, plant and equipment			
Buildings and structures	14,682	15,005	(323)
Machinery and equipment	9,122	9,447	(325)
Tools, furniture and fixtures	2,332	2,284	48
Land	14,476	14,462	14
Construction in progress	1,320	748	571
Total	**41,934**	**41,949**	**(14)**
(2) Intangible assets			
Total	**1,257**	**1,791**	**(534)**
(3) Investments and other assets			
Investments in securities	18,549	11,361	7,187
Deferred income taxes	403	1,082	(679)
Other investments and other assets	2,565	2,509	55
Allowance for doubtful receivables	(315)	(254)	(61)
Total	**21,202**	**14,699**	**(6,502)**
Total assets	**146,894**	**133,602**	**13,292**

(Million yen: amounts less than one million yen are omitted)

	FY2005 (As of Mar.31, 2006)	FY2004 (As of Mar.31, 2005)	Increase (Decrease)
<Liabilities>			
Current liabilities			
Trade notes and accounts payable	28,017	27,580	437
Short-term bank loans	8,793	8,948	(154)
Current potion of long-term loans	6,905	5,662	1,243
Income taxes payable	5,820	1,433	4,387
Reserve for losses on land improvements	1,158	1,160	(1)
Other current liabilities	9,442	9,448	(6)
Total	**60,137**	**54,232**	**5,905**
Long-term liabilities			
Long-term loans	3,488	10,428	(6,939)
Retirement allowance	12,600	12,207	393
Reserve for directors' retirement accounts	226	211	15
Deferred tax liabilities	1,887	-	1,887
Other long-term liabilities	599	680	(80)
Total	**18,803**	**23,526**	**(4,723)**
Total liabilities	**78,941**	**77,759**	**1,182**
<Minority interests>			
Minority interests	3,763	3,371	392
<Shareholders' equity>			
Capital stock	10,000	10,000	-
Capital surplus	17,710	17,709	1
Earned surplus	30,387	23,172	7,215
Net unrealized gains on securities	6,995	2,880	4,114
Translation adjustments	(582)	(1,128)	546
Treasury stock, at cost	(321)	(162)	(158)
Total shareholders' equity	**64,189**	**52,471**	**11,718**
Total liabilities, minority interests and shareholders' equity	**146,894**	**133,602**	**13,292**

(2) Consolidated Statements of Income

(Million yen: amounts less than one million yen are omitted)

	FY2005 (Apr.2005-Mar.2006)	FY2004 (Apr.2004-Mar.2005)	Increase (Decrease)
Net sales	**147,427**	**137,960**	**9,467**
Cost of sales	111,541	105,227	6,314
Gross profit	**35,885**	**32,733**	**3,152**
Selling, general and administrative expenses	21,057	21,446	(388)
Operating income	**14,828**	**11,287**	**3,540**
Non-operating income			
Interest income	40	22	17
Dividend income	115	76	39
Equity in earnings of an affiliate	-	230	(230)
Rents income	248	324	(75)
Other non-operating income	189	195	(5)
Total	**594**	**849**	**(254)**
Non-operating expenses			
Interest expenses	342	461	(119)
Loss on disposal of inventories	266	88	178
Equity in losses of an affiliate	100	-	100
Other non-operating expenses	231	279	(48)
Total	**941**	**829**	**111**
Ordinary income	**14,481**	**11,306**	**3,174**
Extraordinary gains			
Gain on sales of fixed assets	63	385	(321)
Gain on sales of investment securities	0	0	0
Gain on sales of securities of an affiliate	539	-	539
Gain on sales of investments for an affiliate	22	-	22
Reversal of allowance for doubtful accounts	40	57	(17)
Compensation for loss on withdrawal from business	-	420	(420)
Other extraordinary gains	-	0	(0)
Total	666	864	(197)
Extraordinary losses			
Loss on disposal of fixed assets	214	1,381	(1,167)
Loss on sales of investment securities	0	-	0
Write-down of investment securities	-	13	(13)
Write-down of golf membership rights	3	13	(10)
Loss on countermeasure for environmental preservation	134	-	134
Liquidation losses for an affiliate	506	-	506
Loss on cancellation of leasehold property	-	335	(335)
Loss on reserve for losses on land improvements	-	1,160	(1,160)
Other extraordinary losses	-	41	(41)
Total	**859**	**2,945**	**(2,085)**
Net income before income taxes	**14,288**	**9,225**	**5,062**
Corporate, resident and business taxes	6,998	2,274	4,724
Adjustment for corporate and other taxes	(1,277)	1,063	(2,340)
Minority interest income	355	262	93
Net income	**8,211**	**5,625**	**2,585**

(3) Consolidated Statements of Appropriations

(Million yen: amounts less than one million yen are omitted)

	FY2005 (Apr.2005-Mar.2006)	FY2004 (Apr.2004-Mar.2005)
(Capital surplus)		
Ⅰ Balance at beginning of period	**17,709**	**17,709**
Ⅱ Increase in capital surplus		
Gain on disposal of treasury stock	1	-
Total	**1**	**-**
Ⅲ Decrease in capital surplus		
Loss on disposal of treasury stock	-	0
Total	**-**	**0**
Ⅳ Balance at end of period	**17,710**	**17,709**
(Earned surplus)		
Ⅰ Balance at beginning of period	23,172	18,677
Ⅱ Increase in earned surplus		
Net income	8,211	5,625
Increase from increase in number of consolidated subsidiaries	-	242
Reversal of projected retirement benefit obligation at overseas subsidiary	158	-
Increase from increase in number of affiliated companies accounted for by the equity method	-	30
Total	**8,369**	**5,898**
Ⅲ Decrease in earned surplus		
Cash dividend paid	1,078	889
Bonuses to directors	75	74
Transfer to projected benefit obligation at overseas subsidiary	-	7
Transfer to statutory capital of overseas subsidiary	-	1
Decrease from increase in number of consolidated subsidiaries	-	394
Decrease from increase in number of affiliated companies accounted for by the equity method	-	35
Total	**1,154**	**1,403**
Balance at end of period	**30,387**	**23,172**

(4) Consolidated Statements of Cash Flows

(Million yen: amounts less than one million yen are omitted)

	FY2005 (Apr.2005-Mar.2006)	FY2004 (Apr.2004-Mar.2005)	Increase (Decrease)
Ⅰ Cash follows from operating activities			
Net income before income taxes and adjustments	14,288	9,225	5,062
Depreciation and amortization	4,575	4,490	85
Amortization of cost in excess of net book values of consolidated subsidiaries	37	55	(17)
Decrease in allowance for doubtful receivables	(59)	(60)	0
Increase (decrease) in retirement benefits of employees	313	(593)	906
Increase (decrease) in directors' retirement allowance	15	(482)	497
Interest and dividend income	(156)	(98)	(57)
Interest expense	342	461	(119)
Foreign exchange loss (gain)	(6)	0	(6)
Equity in losses (earnings) of an affiliate	100	(230)	331
Gain on sales of fixed assets	(63)	(385)	321
Loss on disposal of fixed assets	214	1,381	(1,167)
Gain on sales of securities of an affiliate	(539)	-	(539)
Gain on sales of investments for an affiliate	(22)	-	(22)
Gain on sales of investment marketable securities	(0)	(0)	(0)
Loss on sales of investment securities	0	-	0
Losses from valuation of investment security	-	13	(13)
Write-down of golf membership rights	3	13	(10)
Loss on cancellation of leasehold property	-	335	(335)
Compensation for loss on withdrawal from business	-	(420)	420
Reserve for losses on land improvements	-	1,160	(1,160)
Loss on countermeasure for environmental preservation	134	-	134
Liquidation losses for affiliate	506	-	506
Decrease (increase) in notes and accounts receivable	336	(4,820)	5,157
Increase in inventories	(1,990)	(772)	(1,217)
Decrease in other assets	789	250	539
Increase in notes and accounts payable	58	3,811	(3,753)
Increase (decrease) in consumption taxes payable	(197)	144	(342)
Increase in other liabilities	612	281	330
Bonuses to director	(80)	(80)	(0)
Subtotal	19,211	13,679	5,531
Interest and dividends received	203	305	(102)
Interest paid	(383)	(513)	129
Income taxes paid	(2,625)	(2,369)	(255)
Net cash and cash equivalents provided by operating activities	**16,405**	**11,102**	**5,303**
Ⅱ Cash flows from investing activities			
Decrease in time deposit	(37)	(12)	(25)
Increase in time deposit	12	18	(6)
Purchases of property, plant and equipment	(5,260)	(4,494)	(766)
Proceeds from sales of property, plant and equipment	299	1,551	(1,252)
Purchases of intangible assets	(136)	(179)	43
Proceeds from sales of investments securities	10	40	(29)
Purchases of investment in securities	(402)	(1,578)	1,175
Proceeds from sales of investment securities	1	21	(20)
Proceeds from sales of securities and investments of affiliates	774	-	774
Payment of short-term loans	(48)	(12)	(36)
Proceeds from repayment of short-term loans	14	6	8
Income from other investing activities	356	477	(120)
Expenses from other investing activities	(477)	(408)	(69)
Net cash and cash equivalents used in investing activities	**(4,896)**	**(4,569)**	**(326)**
Ⅲ Cash flows from financing activities			
Decrease in short-term bank loans	(279)	(251)	(28)
Proceeds from long-term loans	3,000	3,000	-
Repayment of long-term loans	(8,692)	(4,506)	(4,186)
Repayments of debentures	-	(5,000)	5,000
Payments for purchases of treasury stock	(160)	(82)	(77)
Proceeds from sale of treasury stock	3	4	(1)
Cash dividends paid	(1,078)	(889)	(189)
Cash dividends paid subsidiaries for minority	(65)	(84)	18
Net cash and cash equivalents provided by financing activities	**(7,273)**	**(7,808)**	**535**
Ⅳ Effect of exchange rate changes on cash and cash equivalents	**204**	**19**	**185**
Ⅴ Increase or decrease in cash and cash equivalents	**4,440**	**(1,256)**	**5,697**
Ⅵ Cash and cash equivalents at beginning of year	**14,035**	**14,476**	**(441)**
Ⅶ Increase in cash and cash equivalents from newly consolidated company	**20**	**815**	**(794)**
Ⅷ Cash and cash equivalents at end of year	**18,496**	**14,035**	**4,461**

Segment Information

(1) Segment Information by Business Category

Fiscal Year ended March 31, 2006 (From April 1, 2005 to March 31, 2006)

(Million yen: amounts less than one million yen are omitted)

	Precision Equipment	Transport Equipment	Aircraft and Oil Hydraulic Equipment	Industrial Equipment	Total	Eliminations and General Corporate Assets	Consolidated
Ⅰ Net sales							
(1) External sales	34,242	37,524	39,571	36,088	147,427	-	147,427
(2) Intersegment net sales or transfer	43	504	736	336	1,620	(1,620)	-
Total	**34,285**	**38,029**	**40,307**	**36,425**	**149,048**	**(1,620)**	**147,427**
Operating expenses	28,514	34,505	38,060	33,139	134,220	(1,620)	132,599
Operating Income	5,770	3,524	2,247	3,285	14,828	-	14,828
Ⅱ Assets, Depreciation and amortization and Capital expenditure							
Assets	20,380	31,553	32,145	27,412	111,491	35,403	146,894
Depreciation and amortization	1,168	988	1,411	699	4,306	307	4,575
Capital expenditure	1,881	592	1,450	425	4,350	107	4,457

Notes: 1. Business segments above are based on the grouping used internally.

2. Main products by business sector

(1) Precision equipment business: Precision reduction gears, precision actuators, three-dimensional rapid prototyping equipment, vacuum pumps, vacuum equipments, high-performance heat transfer device

(2) Transportation equipment business: Railway brake systems, door operating system for railway vehicles, braking systems for commercial vehicles, marine main propulsion control systems

(3) Aircraft and oil hydraulic equipment business: Aircraft equipments, oil hydraulic motor with reduction gear, yaw drives for wind turbines

(4) Industrial equipment business: Automatic door units for buildings, automatic filler/sealer, forming machines, machine tools, automobile parts, moulds and jigs

3. All common expenses of operating expenses are allocated to each segment

4. Total assets in “eliminated or entire company” are ￥36,771 million. These include surplus operating fund in the group (cash and deposits) and long-term investments (investment securities, etc).

Fiscal Year ended March 31, 2005 (From April 1, 2004 to March 31, 2005)

(Million yen: amounts less than one million yen are omitted)

	Precision Equipment	Transport Equipment	Aircraft and Oil Hydraulic Equipment	Industrial Equipment	Total	Eliminations and General Corporate Assets	Consolidated
Ⅰ Net sales							
(1) External sales	32,648	35,807	34,272	35,232	137,960	-	137,960
(2) Intersegment net sales or transfer	40	314	1,171	566	2,092	(2,092)	-
Total	**32,688**	**36,121**	**35,444**	**35,798**	**140,052**	**(2,092)**	**137,960**
Operating expenses	27,589	33,944	34,660	32,571	128,765	(2,092)	126,673
Operating Income	5,099	2,177	783	3,227	11,287	-	11,287
Ⅱ Assets, Depreciation and amortization and Capital expenditure							
Assets	24,118	30,482	29,469	29,920	113,991	19,611	133,602
Depreciation and amortization	1,163	1,040	1,161	611	3,976	514	4,490
Capital expenditure	1,534	651	2,138	687	5,011	183	5,194

Notes: 1. Business segments above are based on the grouping used internally.

2. Main products by business sector

(1) Precision equipment business: Precision reduction gears, precision actuators, roomless lift machines, three-dimensional rapid prototyping equipment, vacuum pumps, vacuum equipments, high-performance heat transfer device, digital logging systems

(2) Transportation equipment business: Railway brake systems, door operating system for railway vehicles, braking systems for commercial vehicles, marine main propulsion control systems

(3) Aircraft and oil hydraulic equipment business: Aircraft equipments, oil hydraulic motor with reduction gear, yaw drives for wind turbines

(4) Industrial equipment business: Automatic door units for buildings, automatic filler/sealer, forming machines, machine tools, parking structures, automobile parts, moulds and jigs

3. All common expenses of operating expenses are allocated to each segment

4. Total assets in “eliminated or entire company” are ￥20,588 million. These include surplus operating fund in the group (cash and deposits) and long-term investments (investment securities, etc).

5. As described in “Change in accounting policy”, the depreciation method for buildings and building equipments was changed to straight-line method beginning in the current fiscal year, although declining balance method have been adopted for depreciation of tangible fixed assets of former TS Corporation (buildings acquired on or after April 1, 1998, excluding building equipments, have been depreciated under straight-line method). According to this change, operating incomes in Precision Equipment and Aircraft and Oil Hydraulic Equipment increased by ￥18 million and ￥16 million, respectively, compared with the previous method.

This change was made at the time of the merger and thus the current interim accounting reports are based on the previous method. Therefore, if this change had been made during the current interim period, operating incomes in Precision Equipment and in Aircraft and Oil Hydraulic Equipment in the current interim period would increase by￥18 million and ￥15 million, respectively, compared with the previous method.

(2) Segment Information by Region

Fiscal Year ended March 31, 2006 (From April 1, 2005 to March 31, 2006)

(Million yen: amounts less than one million yen are omitted)

	Japan	Asia	North America	Europe	Total	Eliminations and General Corporate Assets	Consolidated
Ⅰ Net sales and operating income							
(1) External sales	122,790	7,933	8,851	7,853	147,427	-	147,427
(2) Intersegment net sales or transfer	12,083	686	1,129	45	13,945	(13,945)	-
Total	134,873	8,619	9,980	7,898	161,373	(13,945)	147,427
Operating expenses	121,531	7,978	9,364	7,669	146,544	(13,945)	132,599
Operating Income	13,341	640	616	228	14,828	-	14,828
Ⅱ Assets	104,072	5,828	4,209	3,244	117,355	29,539	146,894

Notes: 1. Grouping of countries and regions is based on geographic adjacency.

2. Each geographic segment except Japan covers the following countries or regions:

(1) Asia: Indonesia, China, Thailand, South Korea and Singapore

(2) North America: U.S.A.

(3) Europe: Germany, and Holland

3. All common expenses of operating expenses are allocated to each

4. Total assets in “eliminated or entire company” are ￥36,771 million. These include surplus operating fund in the group (cash and deposits) and long-term investments (investment securities, etc).

Fiscal Year ended March 31, 2005 (From April 1, 2004 to May 31, 2005)

(Million yen: amounts less than one million yen are omitted)

	Japan	Asia	North America	Europe	Total	Eliminations and General Corporate Assets	Consolidated
Ⅰ Net sales							
(1) External sales	117,225	6,848	7,166	6,719	137,960	-	137,960
(2) Intersegment net sales or transfer	10,150	559	746	47	11,503	(11,503)	-
Total	127,375	7,407	7,913	6,767	149,464	(11,503)	137,960
Operating expenses	117,151	7,001	7,432	6,591	138,177	(11,503)	126,673
Operating Income	10,224	406	480	176	11,287	-	11,287
Ⅱ Assets	108,866	4,567	3,653	2,315	119,402	14,199	133,602

Notes: 1. Grouping of countries and regions is based on geographic adjacency.

2. Each geographic segment except Japan covers the following countries or regions:

(1) Asia: Indonesia, China, Thailand, South Korea and Singapore

(2) North America: U.S.A.

(3) Europe: Germany, and Holland

3. All common expenses of operating expenses are allocated to each

4. Total assets in “eliminated or entire company” are ￥20,588 million. These include surplus operating fund in the group (cash and deposits) and long-term investments (investment securities, etc).

5. As described in “Change in accounting policy”, the depreciation method for buildings and building equipments was changed to straight-line method beginning in the current fiscal year, although declining balance method have been adopted for depreciation of tangible fixed assets of former TS Corporation (buildings acquired on or after April 1, 1998, excluding building equipments, have been depreciated under straight-line method). According to this change, operating income in “Japan” increased by ￥34 million compared with the previous method.

This change was made at the time of the merger and thus the current interim accounting reports are based on the previous method. Therefore, if this change had been made during the current interim period, operating income in “Japan” in the current interim period would increase by ￥33 million from previous method.

(3) Overseas Sales

Fiscal Year ended March 31, 2006 (From April 1, 2005 to March 31, 2006)

(Million yen: amounts less than one million yen are omitted)

	Asia	North America	Europe	Other regions	Total
Overseas sales	14,412	10,755	9,732	439	35,340
Consolidated net sales					147,427
Composition to consolidated net sale	9.8	7.3	6.6	0.3	24.0

Notes: 1. Grouping of countries and regions is based on geographic adjacency.

2. Each geographic segment except Japan covers the following countries or regions:

(1) Asia: China, South Korea, India, Singapore and Indonesia

(2) North America: U.S.A.

(3) Europe: Germany, Great Britain, France, Italy and Holland

(4) Other: Australia and New Zealand

3. Overseas sales refer to the Company and its Group's sales in countries or regions other than Japan.

Fiscal Year ended March 31, 2005 (From April 1, 2004 to May 31, 2005)

(Million yen: amounts less than one million yen are omitted)

	Asia	North America	Europe	Other regions	Total
Overseas sales	14,048	8,609	8,451	152	31,261
Consolidated net sales					137,960
Composition to consolidated net sale	10.2	6.3	6.1	0.1	22.7

Notes: 1. Grouping of countries and regions is based on geographic adjacency.

2. Each geographic segment except Japan covers the following countries or regions:

(1) Asia: China, South Korea, India, Singapore and Indonesia

(2) North America: U.S.A.

(3) Europe: Germany, France, Italy and Holland

(4) Other: Australia and New Zealand

3. Overseas sales refer to the Company and its Group's sales in countries or regions other than Japan.

Production, Orders and Sales

1. Production

(Million yen: amounts less than one million yen are omitted)

	Term ended Mar.31, 2006		Term ended Mar.31, 2005	
	Amount	Percentage	Amount	Percentage
Precision Equipment	34,245	22.8	32,810	23.8
Transport Equipment	37,930	25.3	35,452	25.7
Aircraft and Oil Hydraulic Equipment	41,079	27.4	34,784	25.2
Industrial Equipment	36,648	24.5	34,884	25.3
Total	149,903	100.0	137,932	100.0

Notes: Amounts above are based on sales prices and do not include consumption tax.

2. Orders

(Million yen: amounts less than one million yen are omitted)

	Term ended Mar.31, 2006		Term ended Mar.31, 2005	
	Amount	Percentage	Amount	Percentage
Precision Equipment	33,152	21.7	33,436	23.9
Transport Equipment	42,567	27.8	36,031	25.8
Aircraft and Oil Hydraulic Equipment	41,889	27.4	34,745	24.8
Industrial Equipment	35,413	23.1	35,655	25.5
Total	153,022	100.0	139,869	100.0

Notes: Amounts above are based on sales prices and do not include consumption tax.

3. Backlog or orders

(Million yen: amounts less than one million yen are omitted)

	Term ended Mar.31, 2006		Term ended Mar.31, 2005	
	Amount	Percentage	Amount	Percentage
Precision Equipment	5,908	12.0	6,998	16.0
Transport Equipment	16,112	32.5	11,069	25.2
Aircraft and Oil Hydraulic Equipment	19,098	38.7	16,781	38.3
Industrial Equipment	8,297	16.8	8,973	20.5
Total	49,417	100.0	43,822	100.0

Notes: Amounts above are based on sales prices and do not include consumption tax.

4. Sales

(Million yen: amounts less than one million yen are omitted)

	Term ended Mar.31, 2006		Term ended Mar.31, 2005	
	Amount	Percentage	Amount	Percentage
Precision Equipment	34,242	23.2	32,648	23.7
Transport Equipment	37,524	25.5	35,807	26.0
Aircraft and Oil Hydraulic Equipment	39,571	26.8	34,272	24.8
Industrial Equipment	36,088	24.5	35,232	25.5
Total	147,427	100.0	137,960	100.0
(Overseas sales)	(35,340)	(24.0)	(31,261)	(23.0)

Notes: Amounts above are based on sales prices and do not include consumption tax.